

least in the near-term, for enabling residential and business consumers to obtain high-speed, high-quality digital access to the Internet and other information services. In particular, the speed and reliability at which data can be transmitted through ISDN are far greater than the capabilities of ordinary telephone lines.^{56/} Moreover, deployment of ISDN service has the added benefit of enhancing the capabilities of existing wiring, eliminating the need to install expensive new cabling.

The deployment of ISDN may be slowed, however, if the Commission requires LECs to impose one SLC charge for each derived channel.^{57/} Bell Atlantic advised if the Commission were to adopt a per channel approach, the price increases that would need to be passed on to consumers likely would lead to a 35-40 percent reduction in business demand for PRI ISDN, a 25-30 percent decline in business demand for BRI ISDN, and a 60 percent drop in consumer demand for BRI ISDN.^{58/}

At this stage of development, residential and small business users remain very sensitive to the price of connecting to online and other enhanced services. As Assistant Secretary Irving noted, "[a] significant increase in the cost of ISDN could severely reduce demand just as the market for this service is poised to take off."^{59/} Such a result is obviously inconsistent with the

^{56/} In comparison to the 28,800 baud rate of most modems that are now most commonly being offered at the retail level, ISDN enables data to be transmitted at up to 128,000 baud.

^{57/} Letter from Randolph May to William Caton at 2, March 9, 1995.

^{58/} Bell Atlantic Emergency Petition for Waiver of Section 69.104, filed Feb. 10, 1995.

^{59/} Irving Letter at 1.

Commission's, the Administration's, and the Congress' goal of promoting high-speed access to the Internet and other information services.

C. Establishing One SLC "Per Facility" Appears To Be Consistent With Cost-Causational Principles, But If The Commission Believes Otherwise, Any Deviation From The "Per Facility" Approach Should Be As Small As Possible

In their initial comments in the ISDN rulemaking, CompuServe and Prodigy stated that they "are sensitive to the Commission's need to take cost-causational principles into account when considering changes to its access charge rules."^{60/} They noted, however, that courts have recognized that ratemaking is not an exact science and that the Commission has broad discretion to take into account competing public policy objectives.^{61/}

In the Access Charge NPRM, the Commission included two tables based on cost data submitted by five RBOCs.^{62/} The tables indicate that while the ratio of total NTS costs of BRI ISDN to standard analog service is approximately 1 to 1, the ratio between PRI ISDN to analog service is approximately 4.95 :1, if only loop costs are considered.^{63/} There are several reasons, however, why the Commission should view this data cautiously, and, in any event, not rely on it in a reflexive manner.

^{60/} Comments of AOL, CompuServe, GE Information Services, and Prodigy, CC Docket No. 95-72, at 6 n.12, filed June 29, 1995.

^{61/} Nat'l Ass'n of Regulatory Util. Commissioners v. FCC, 737 F.2d 1095, 1137 (D.C. Cir. 1984).

^{62/} Access Charge NPRM ¶ 38. Because NYNEX's data was an "outlier" for PRI service, it was excluded. Thus, data from only four companies was available for PRI.

^{63/} Considering total non-traffic sensitive ("NTS") costs, the ratio increases to 10.5:1.

First, one of the reasons why the earlier studies may indicate PRI ISDN service appears to be much more costly than analog service is the small number of subscribers at the time the RBOCs submitted their reports. For example, data submitted by PacBell indicated that its derivation of PRI ISDN costs was based merely on 111 access lines. This extremely small sampling may not be a good indicator of the actual costs currently caused by PRI ISDN users. For example, Ameritech acknowledged that "[b]ecause the demand for these two higher capacity services is extremely limited, the costs also will be higher until the demand increases sufficiently to use standard provisioning procedures."^{64/} With the continued growth of ISDN since the RBOCs submitted their data, the costs earlier attributed to PRI ISDN already may be considerably lower than at the time the RBOCs submitted their studies.

Second, as both GTE and NYNEX previously have indicated, "the only costs that are relevant when seeking to establish the proper level of assigned Interstate costs to be recovered via SLCs are those loop costs booked to accounts in the Common Line basket."^{65/} CompuServe and Prodigy agree with GTE and NYNEX that only loop costs should be considered, not all NTS costs.

Third, the fixed level of loop costs to be recovered by the interstate jurisdiction presently is set at an arbitrary amount of 25%, even though on average only 14% of all calls are interstate. In the NPRM, Commission acknowledges that "the Part 69 access charge system likely reflects

^{64/} Ameritech, Additional Non-Traffic Sensitive Cost Data, CC Docket 95-72, at 2, October 23, 1995.

^{65/} Comments of GTE, at 8, Oct. 30, 1995. See also, NYNEX *Ex Parte* submission, Oct. 24, 1995.

any jurisdictional cost misallocations mandated by our current separations rules."^{66/} In light of the public benefits flowing from the widespread deployment of ISDN service, coupled with the Commission's announced intention shortly to initiate a separations reform proceeding, the Commission should consider deferring any changes to the current "per facility" approach until separations reform is undertaken.

Finally, at present the benefits of requiring the performance and verification of detailed ISDN cost studies are outweighed considerably by the administrative costs imposed upon the LECs in performing them and upon the Commission and the public in reviewing them. The total number of all types of access lines subject to SLC assessments dwarfs the number of ISDN access lines. With such a disparity, any benefits of obtaining actual cost ratios, which necessarily require detailed and time-consuming analysis and verification of an assortment of loop data, are offset by the administrative ease of simply applying the one SLC per facility approach. Even if it were possible to obtain an accurate true-up of costs imposed by ISDN access and assess some number of multiple SLCs, that would only permit the RBOCs to recover a *de minimis* amount of additional SLC revenue, not enough to affect in any meaningful way the amount of loop costs required to be recovered.

Therefore, in light of the above, CompuServe and Prodigy urge the Commission to adopt the "per facility" approach for applying SLCs to ISDN and similar derived channel services. If the Commission deviates from this approach at all, any deviation should be minimal in order to

^{66/} Access Charge NPRM at ¶ 6.

be consistent with the Congressional intent to promote the continued development of Internet and online services and new technologies in general.

III. THE COMMISSION SHOULD NOT PERMIT OR REQUIRE LECs TO IMPOSE A SEPARATE CALL SETUP CHARGE

Call setup is the process of establishing a transmission path over which a phone call will be routed. Call setup costs are incurred in connection with local switching functions for each call, regardless of its duration or whether the call is actually completed. Currently, the Commission's rules do not permit LECs to assess a discrete setup charge for interstate access services. Instead, LECs recover the costs associated with call setup through the per-minute local switching charge.

On several prior occasions, LECs have requested that the Commission permit them to impose discrete call setup charges.^{67/} They generally have argued that the current rate structure, which prohibits call setup charges, is uneconomic because short-duration calls are proliferating and long-duration calls tend to subsidize short-duration calls.^{68/}

^{67/} Pacific Bell Petition for Rulemaking to Amend Section 69.106 of the Commission's Rules, Petition for Rulemaking, filed June 30, 1994 ("PacBell Petition"); see also Bell Atlantic Telephone Companies, Petition for Waiver of Sections 69.106 and 69.205 of the Commission's Rules to Permit a Call Setup Charge, 4 FCC Rcd 7210 ("Bell Atlantic Petition"); U.S. West Communications, Inc., Petition for Waiver of Part 69 of the Commission's Rules, 7 FCC Rcd 4043 (1992).

^{68/} PacBell Petition, at 1. PacBell's petition claimed that calls less than 3.86 minutes generally under-recover their costs and calls longer than 3.86 minutes generally over-recover their costs. *Id.*, at 2.

With regard to NYNEX and U.S. West, the Commission denied their petitions because they sought substantive policy changes which the waiver process was not designed to address.^{69/} The PacBell petition was never acted upon. In the NPRM, the Commission "now seek[s] comment on whether we should permit or require incumbent LECs to include a call setup charge in their local switching rate structures."^{70/}

In addition to the consumer information services provided through CSi, CompuServe is one of the nation's leading financial transactions processors through its Network Services division. For example, one of CompuServe's principal customers is VISA, for whom CompuServe processed in the range of one billion point-of-sale credit card verifications last year. CompuServe's average call duration for this type of transaction is 12 seconds.

In their earlier petitions, the RBOCs based their argument for a call setup charge in large part on the contention that the number of short duration calls, such as credit card verifications, debit card authorizations, and "one page" faxes, are growing quickly. CompuServe agrees that these types of calls, are growing, and, indeed, this growth has been an important contributor to, and indicator of, the health of the U.S. economy. But the earlier RBOC petitions were silent on key points: the proportion of short duration calls vis-a-vis longer duration calls and the extent to which short duration calls are increasing relative to long duration calls.^{71/}

^{69/} 4 FCC Rcd at 7211; 7 FCC Rcd at 4044.

^{70/} Access Charge NPRM ¶ 76.

^{71/} Pacific Bell stated that short duration calls were growing very rapidly, but ignored the growth in other calls. PacBell defined short duration calls as those less than one minute in duration. Pacific Bell Petition, at 1.

Indeed, the RBOCs now are complaining that increasing Internet and online usage is creating a "problem" on the basis that the claimed longer duration of the typical online session is not an efficient use of the public switched network. To the extent their concerns about network congestion caused by longer holding times of some types of online calls have any merit -- and the technical, operational, and economic aspects of this question are going to be examined in the NOI -- it certainly follows that short duration calls, such as those credit card verification calls handled by CompuServe which average 12 seconds in length -- contribute to the efficient operation of the LEC networks. For the reasons that the RBOCs have argued that longer duration calls are imposing additional costs on the network from a traffic engineering point of view (creating the need for re-engineering of port connectivity and switch capacity), the opposite would seem to be true for short duration calls. Indeed, the Commission itself points out that "arguments about network congestion caused by long hold-time calls would not seem to apply to telemessaging or credit card validation."^{12/}

The existing rate structure without a discrete call setup rewards efficient use of the public network. As the Ad Hoc Telecommunications Users Committee stated in its opposition to Pacific Bell's petition: "Had the Commission chosen to implement the call setup charge rate structure proposed by Pacific Bell at the time the access tariffs were originally implemented, it is virtually certain that the transactions processing business would have developed quite differently

^{12/} NPRM, at ¶ 316.

than it has today.”^{73/} As it is, financial transactions processing, along with electronic data interchange (EDI) and similar data services, are playing a central role in enhancing the productivity of U.S. businesses, and the availability of these services at reasonable prices is key to continued growth of the U.S. economy and U.S. leadership in information services business.

The Department of Commerce recently noted that “electronic commerce” applications:

help U.S. companies increase productivity by enabling rapid business transactions, data and information exchanges, and organizational changes. Through the ability to handle tremendous volumes of transactions and the ability to amass, analyze, and control large quantities of specialized data, organizations will be able to improve efficiency and accuracy, and reduce costs, while providing faster, more reliable and more convenient services.^{74/}

That same report also indicated that there has been steady investment in technologies which improve transaction services capabilities:

Over the past decade, the banking and financial industries have invested heavily in automation and networking technologies to handle and process electronically an ever-increasing number of financial transactions. ... Examples of the effect of Electronic Commerce on specific financial institutions abound: through the use of information technologies, Visa’s peak capacity for processing credit card transactions grew from 30,000 per day in 1978 to over 1.4 million per day in 1991, while its response time for authorizations dropped from 5 minutes in 1973 to 1.1 seconds in 1991. . . .

Another area of the economy where short duration calls play an increasingly important role in enhancing productivity is in the health care arena. Efficient claims processing systems

^{73/} Opposition of the Ad Hoc Telecommunications Users Committee to Petition for Rulemaking, RM-8496, August 22, 1994, at 14.

^{74/} Putting the Information Infrastructure to Work: Report of the Information Infrastructure Task Force Committee on Applications and Technology, U.S. Dep’t of Commerce, at 28 (May 1994).

which are enabled by cost-effective EDI and similar high speed data services can make a major contribution to holding down overall health care costs. It would be easy to give other examples, of course, but it should be clear that any change in rate structure which lessens the incentive to develop and implement short duration call applications not only will adversely impact the efficiency of the public telephone network, but also the nation's increasingly information-intensive economy.

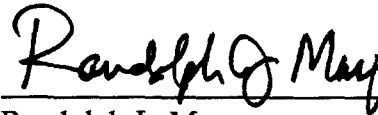
Finally, as the Commission notes, call setup costs are incurred for every uncompleted call attempt, regardless of the reason the call is not completed. If the Commission were going to allow or require the LECs to establish a call setup charge, such charge logically should apply to uncompleted call attempts. Imposing charges for uncompleted calls would be a substantial departure from long-established practice in this country. If the Commission is inclined to allow or require a call setup charge, it should apply such charge to all uncompleted call attempts. Failure to do so would discriminate unreasonably against completed short duration calls vis-a-vis uncompleted calls.

IV. CONCLUSION

For the foregoing reasons, the the Commission should take actions consistent with the views expressed herein.

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CERTIFICATE OF SERVICE

I, Teresa Ann Pumphrey, hereby certify that a copy of the foregoing Comments of **CompuServe Incorporated and Prodigy Services Corporation** was served by first-class mail, postage prepaid and by hand where indicated, this 29th day of January, 1997, on the following persons:

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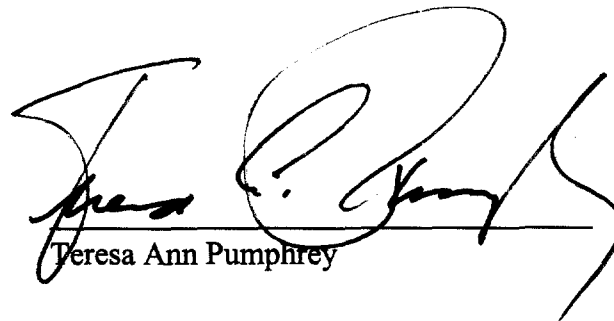
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**CompuServe and Prodigy
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